

LAFAYETTE PARISH SCHOOL BOARD



COMPLIANCE AUDIT

ISSUED NOVEMBER 14, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

SENATOR J. "TOM" SCHEDLER, CHAIRMAN
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF COMPLIANCE AUDIT

DAN DAIGLE, CPA, CIA, CFE

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Seven copies of this public document were produced at an approximate cost of \$22.96. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 2641 or Report ID No. 07202206 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 14, 2007

**BURNELL LEMOINE, SUPERINTENDENT,
AND MEMBERS OF THE
LAFAYETTE PARISH SCHOOL BOARD**
Lafayette, Louisiana

We have audited certain transactions of the Lafayette Parish School Board (School Board) in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed to determine the propriety of certain transactions relating to grant operations.

Our audit consisted primarily of the examination of selected financial records and other documentation and a review of the School Board's policies, procedures, and practices. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the School Board's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the Honorable Michael Harson, District Attorney for the Fifteenth Judicial District, and others as required by state law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

JC:GC:DD:dl

LAFSB07

	Page
Executive Summary	3
Findings and Recommendations:	
Lack of School Board Approval for Contracts	5
Questionable Contracts.....	6
Excessive Payments.....	10
Additional Compensation.....	11
Background and Methodology.....	13
Management’s Responses.....	Appendix A

The Lafayette Parish School System (LPSS) applies for and receives two distinct types of grants, the entitlement grant and the discretionary grant. The purpose of the entitlement grants is to support quality education and accountability. Entitlement grants, such as Title I, support programs in schools that have children from low-income families. The purpose of the discretionary grants is to fund specific programs within the schools. These grants are competitive in nature and are awarded to school districts based on submitted proposals.

To receive a discretionary grant, LPSS must submit a grant proposal to the United States Department of Education (USDOE). The proposal must address LPSS's need for the grant, outline the grant program to be implemented, and include a proposed budget and narrative and the goals of the grant. LPSS uses external contractors to write the grant proposals for all grants except the discretionary grant, Project SING. Since 2003, LPSS has contracted with two proposal writing firms, EduShift, Inc. (EduShift) and David Jones and Associates (David Jones). EduShift has written eight successful proposals and David Jones has written one successful proposal. From May 2003 through July 2006, a total of \$19,404,473 was awarded to LPSS for these nine proposals.

The Grants Office handles all discretionary and entitlement grants. Ms. Amy Trahan has been the grant administrator and head of the Grants Office since June 2006. The Grants Office is responsible for all aspects of the discretionary grants including gathering information for the grant writing, implementing the grant through hiring and budget initiation, processing all paperwork including time sheets and check requests, and communicating with all parties pertaining to the grant.

Our examination focused primarily on the operations of the Grants Office and specifically discretionary grants. We reviewed available documentation for discretionary grants and spoke to numerous parties involved in the grants process. We noted numerous problems with the documentation and the operations of the Grants Office including:

- (1) lack of School Board approval for five contracts;
- (2) problems with grant services contracts;
- (3) excessive payments to contractors; and
- (4) one employee receiving compensation without School Board approval.

This page is intentionally blank.

Lack of School Board Approval for Contracts

From May 14, 2003, through July 11, 2006, Dr. James Easton, former LPSS superintendent, signed nine contracts for grant writing services, which included eight contracts with EduShift, Inc. (EduShift) and one contract with David Jones and Associates (David Jones). Louisiana law¹ and the attorney general² conclude that a superintendent does not have the authority to contract on behalf of the School Board unless that power is provided to the superintendent by the School Board. During our review of grant services contracts, we noted that five of the nine contracts (including contract addendums) did not receive School Board approval. Because LPSS could not provide us with a policy that authorizes the superintendent to contract on behalf of the School Board, it appears that Dr. Easton may have signed these contracts without School Board approval and in violation of Louisiana law.

From May 2003 to July 2003, Dr. Easton signed three grant writing services contracts with EduShift. Payments to EduShift under these contracts ranged from 10% to 12% of the grant awards, which totaled \$567,475. In November 2004, Dr. Easton signed one grant writing services contract with David Jones. David Jones provided the grant proposal and technical assistance as needed in return for 4.5% of the grant award. To date, David Jones has been paid \$257,276 for this contract with an additional \$124,875 still outstanding. A review of School Board meeting minutes indicates that each of these grant applications and grant services contracts was approved by the School Board allowing Dr. Easton to sign the contracts.

From January 2006 through July 2006, the remaining five grant services contracts between LPSS and EduShift were signed by Dr. Easton without School Board approval. The contracts required EduShift to provide a grant proposal, permission to use the proposal, evaluation/technical services and to complete annual performance reports for the grants. In addition, in February 2007, contract addendums for each grant were signed by Dr. Easton. These addendums added language to the contract to further define the evaluation services provided by EduShift. According to the School Board minutes neither the grant applications, grant services contracts, nor did the addendums receive School Board approval. The payments required under these contracts range from 12% to 13% of the grant award. To date, \$443,863 has been paid to EduShift for these five contracts and an additional \$594,975 is due to be paid in subsequent years.

We spoke to Mr. James Simon, LPSS board attorney, about his involvement with the EduShift contracts. Mr. Simon stated that he notarized Dr. Easton's signature for the first three EduShift contracts that received School Board approval but discontinued his involvement with the EduShift contracts after a 2004 discussion with Dr. Easton. He stated that during this

¹ **R.S. 17:83** states that "The president of each school board, or in his absence the vice-president, shall preside at all meetings of the board, call meetings when necessary, advise with and assist the parish superintendent of schools in promoting the success of the schools, and, generally, do and perform all other acts and duties pertaining to his office. All deeds and contracts for the schools shall be signed by him, but the contracts with teachers shall be signed by the parish superintendent and the contracting teachers."

² **AG Opinion 91-191** states, in part, that "The Ascension Parish School Board, therefore, has the power to make rules and regulations, as it sees fit, for its own government. The superintendent's statutory powers are limited to that provided him in LSA-R. S. 17:91 et seq. These powers include: supervisory duties, making annual reports to the State Board of Education, guardianship of records, to serve as treasurer of school funds, etc., and do not include the power to obligate the Board via contract expressly or implicitly. While the superintendent is not statutorily authorized to contract or obligate funds on behalf of the Board, the Board may, if it so chooses, grant to the superintendent such powers. Any actions performed by the superintendent, not legislatively authorized, must be authorized by regulations adopted by the Board or would otherwise be ultra vires."

discussion, Dr. Easton informed him that he did not have to receive School Board approval to sign the EduShift contracts or to submit the grant applications. At that time, Mr. Simon informed Dr. Easton that he had to receive School Board approval for both the contract and grant application. According to Mr. Simon, after this discussion, Dr. Easton began consulting with an outside attorney and no longer involved Mr. Simon in the contract process. The five contracts that were not approved by the School Board contained only Dr. Easton's name along with two LPSS employee signatures.

Dr. Easton stated that he knew of EduShift from his previous work in the state of Indiana. He explained that EduShift did good work so he did not shop around for grant writers. Dr. Easton stated that he understood he could not sign contracts without School Board approval, and that he believed all EduShift contracts were brought before the School Board. However, he also stated that he just signs contracts that are brought to him, and that it is his staff's responsibility to bring the contracts before the School Board.

We recommend that the School Board develop a policy to ensure that all contracts and contract amendments receive its approval prior to the obligation of School Board funds and determine whether or not these contracts are appropriate and whether to seek recovery should it deem the contracts inappropriate.

Questionable Contracts

The first three contracts with EduShift were signed in 2003 and required EduShift to provide a grant proposal and permission to use the proposal and to complete the annual performance reports for the grants. These contracts required LPSS to pay 10% to 12% of the total grant awards and assist in the development of the performance reports. The remaining five contracts were signed in 2006 and required EduShift to provide a grant proposal and permission to use the proposal and evaluation and technical services and to complete the annual performance reports for the grants. LPSS was required to pay 12% to 13% of the grant awards and assist with the performance reports. A review of all EduShift contracts noted the following problems:

1. Vague language with a lack of description of services
2. Inadequate documentation of services performed
3. Payments made in advance in possible violation of the Louisiana Constitution³
4. Terms invalid under Louisiana law⁴

³ **Article 7, Section 14 of the Louisiana Constitution** provides, in part, that "except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

⁴ **R.S. 38:2196** states, in part, that "The legislature hereby declares null and void and unenforceable as against public policy any provision in a public contract . . . which requires . . . that the agreement must be interpreted according to the laws of another jurisdiction."

Vague Language With Lack of Description of Services

The three contracts signed in 2003 contained vague language that did not adequately describe the deliverables to be provided by EduShift. The first contract required EduShift to provide the grant proposal and permission to use the proposal along with completing the performance reports. Payments to EduShift included 5% (of the grant award) for goods and services and 5% (of the grant award) for evaluation. The contract did not include a description of goods and services or evaluation, and the evaluation services were not listed as a deliverable in the contract. The last two of these contracts required LPSS to pay EduShift 12% of the grant award for evaluating and consulting services as well as completing the performance reports. Again, these services were not listed as a deliverable nor were they defined in the contract. The only responsibility clearly defined in each of the three contracts was LPSS's responsibility to collect and collate the data for EduShift to integrate into the performance reports.

In the last five contracts signed in 2006, EduShift was required to perform evaluation and technical services and complete the performance reports. The payments called for a stated amount each year, which was normally 12% to 13% of the grant award, for EduShift to be the external evaluator of the grant. Although a description of services to be provided by EduShift was vague, LPSS's responsibility for collecting and collating the data to be used in the performance reports was clearly defined.

The addendums were not attached to any of the contracts provided to us by LPSS. EduShift representatives stated that contract addendums detailing the evaluation and technical services were attached to each contract. EduShift provided the signed addendums for each of the five contracts; however, all addendums were signed on February 23, 2007, up to 393 days after the original contracts were signed. During the period between the contract date and addendum date, LPSS made payments totaling \$228,283 without a description of required services or what constituted completion of these services.

In mid 2005, Dr. Easton and Ms. Trahan brought for review the contracts to Mr. Lane Roy, an external attorney. In correspondence dated August 2005 and addressed to Ms. Trahan and Dr. Easton, Mr. Roy indicated that the contract was not well drafted, was lacking descriptions, contained many ambiguities, and was substantially lacking the performance level required. He went on to state that to correct these issues the contract would need to be completely redrafted. He advised either using another company's contract or requiring EduShift to redraft the contract. In October and again in December 2005, he was asked by the LPSS administration to make several minor changes to the existing contract. He made the requested changes and provided the revised contract to Ms. Trahan and Dr. Easton. A comparison of the original contract to the revised contract shows that only minor changes were made and no further descriptions or clarifications were added.

We spoke to Mr. Roy about the review of the EduShift contracts. Mr. Roy stated that he was never satisfied with the final contract because he believed that it was still not a good contract and he expressed his dissatisfaction to both Dr. Easton and Ms. Trahan. Mr. Roy never saw the contract to resolution because Dr. Easton stopped consulting with him. During our review, Dr. Easton stated that Mr. Roy reviewed the contract and was happy with the final result. Dr. Easton also stated that he was not aware of any problems with the contract. Through correspondence from Mr. Roy, Dr. Easton was made aware of the problems with the original three contracts in late 2005, but did very little to correct these problems in the last five contracts signed in 2006.

In addition, the contracts and addendums for the last five contracts require LPSS to pay for a service that is a free service provided by USDOE. The contract addendums state that EduShift will provide technical assistance services to the district to assist with implementing the grant. However, for each grant awarded to an entity, USDOE provides a federal program officer who is available to answer questions and to provide technical assistance to the grantees on an ongoing basis. A post award conference is normally scheduled just after each award to facilitate the communication between the federal program officer and the grantee. We asked EduShift representatives to provide documentation of the work performed on behalf of LPSS; however, they were unable to document the amount of technical assistance provided to LPSS. Therefore, we cannot determine if EduShift performed these services or if the services were provided by the federal program officers.

Based on interviews with LPSS and EduShift officials, it appears that a clear understanding for the EduShift contracts was not understood by both parties. EduShift representatives stated that the contracts were not written to provide the grant proposals because that service was provided free of charge to LPSS. They indicated that the contracts were for technical assistance, evaluation services and performance reports. Conversely, Dr. Easton stated that EduShift was hired to write grant proposals. He did not believe the grant proposals were actually free of charge like EduShift representatives stated.

Inadequate Documentation of Services Performed

Payments made for the EduShift contracts to date totaling \$1,011,338 were paid without adequate documentation of services provided. Invoices submitted by EduShift for payment described the services provided as “Products/Services” or “Evaluation/Consulting Services” and listed an amount owed for each. However, the invoices do not further describe the exact services provided. We asked EduShift representatives for documentation of these services. Although they were able to provide the performance reports required by the contracts, they were not able to provide any other documentation such as hours worked on each grant or even hours worked for LPSS.

In addition, the contract addendums for the last five contracts state that the evaluation and technical services are to be provided via phone, e-mail and/or in person. We requested documentation of the phone, e-mail, and/or in person services from

EduShift. EduShift representatives were able to provide documentation for 12 trips taken from 2004 to 2007. These trips included five site visits to Lafayette for evaluations, five conferences for the evaluator of grants awarded to LPSS, one conference for a grant that LPSS did not receive, and one trip to Washington, D.C., that was unidentified.

EduShift representatives stated that they did not document the hours worked at the office (phone and e-mail) on either a particular grant or by school district. Various LPSS grant project directors stated that they have received surveys from EduShift but have either never met an EduShift representative or have seen them on only one occasion. Only one project director recalled seeing these representatives on a regular basis. Because little documentation exists to verify services performed by EduShift, we could not determine if the payments to EduShift were commensurate with the services rendered.

Payment Terms in Violation of the Louisiana Constitution

Although full services under the contracts with EduShift could not be rendered until the end of each award year when the performance reports are completed, all eight contracts indicated that billings would occur in advance of the year in which money is awarded to “ensure cash flow for EduShift.” Of the 21 payments totaling \$1,011,338 made to EduShift under these contracts, 20 payments totaling \$987,467 were made during the award year and before completing the performance reports for that year. As a result, LPSS may have violated Article 7, Section 14 of the Louisiana Constitution,³ which prohibits public agencies from donating public assets.

For example, on July 30, 2003, LPSS contracted with EduShift for completion of the performance reports for the Teaching American History grant. The first award year was October 1, 2003, to September 30, 2004. During that year, two payments totaling \$39,556 were made to EduShift prior to completion of any documented services; the first on April 22, 2004, and the second on August 31, 2004. In addition, payments totaling \$80,423 were issued to EduShift in the same manner (before the end of the award year) for the second and third years of the grant.

To determine if an expenditure of public funds is proper, Article 7, Section 14 of the Louisiana Constitution³ requires the agency to ensure that:

- (1) there is a public purpose for the expenditure or transfer;
- (2) the expenditure or transfer, taken as a whole, does not appear to be gratuitous; and
- (3) evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

It appears that the third test was not met on 20 of the 21 payments issued to EduShift. At the time these payments were made, the benefit gained was not equivalent

to the amount expended. In addition, by making these advance payments with no assurance of performance, the School Board may have granted a loan to EduShift in violation of Article 7, Section 14 of the Louisiana Constitution.³

Invalid Contract Terms

A term in the first three contracts states that “The laws of the state of Indiana will govern this contract.” Louisiana law⁴ provides that terms requiring a contract to be interpreted according to the laws of another jurisdiction to be null and void and unenforceable when contained in contracts where services are provided in Louisiana.

We recommend that the School Board:

- (1) ensure that all service contracts contain thorough descriptions of services to be performed;
- (2) develop either a standard contract for services or ensure that all contracts are reviewed before signature;
- (3) ensure that all reviewed contracts either contain the recommended changes or fully document why the recommended changes were not included;
- (4) discontinue paying contractors in advance of services performed; and
- (5) ensure that all contract terms are in accordance with state law.

Excessive Payments

After reviewing the contracts and documentation of services provided by EduShift, it appears that the contract payment terms were excessive.

EduShift was normally paid 10% to 13% of the grant award. Since its fee is based on a percentage of the grant award, EduShift is paid more to evaluate a larger grant program with larger budgeted expenditures. Because LPSS often does not expend the budgeted amounts, its grants tend to be smaller in size requiring less evaluation work. However, EduShift is still paid to evaluate a larger program, based on the grant award, instead of the actual program implemented.

If EduShift had been paid a percentage of the actual expenditures of the grants, which is a better measure of the size of the grant, payments to date would have totaled \$662,429, instead of the actual payments to date of \$1,011,338, leaving a difference of \$348,909. One example of this difference is the following table illustrating payments issued to EduShift for the Smaller Learning Communities I grant. The table illustrates a comparison between the actual EduShift payments based on the budgeted amounts versus the estimated payments based on the actual expenditures of the grant.

Smaller Learning Communities I Grant					
Year	Grant Budget	Actual EduShift Payment - 12 % of Grant Budget	Actual Expenditures	Estimated EduShift Payment - 12 % of Expenditures	Difference Between Actual and Estimated EduShift Payments
2004	\$748,795	\$89,855	\$103,909	\$12,469	\$77,386
2005	860,965	103,316	706,354	84,762	18,554
2006	861,905	103,429	785,506	94,261	9,168
Totals	\$2,471,665	\$296,600	\$1,595,769	\$191,492	\$105,108

We recommend that the School Board analyze payments made to contractors to ensure that payment amounts are commensurate with services provided and ensure that service contractors provide adequate documentation of the work performed for LPSS.

Additional Compensation

Ms. Trahan began working at LPSS in February 2002 as a grants writer. In addition to her regular duties, from June 2003 to September 2005, she worked as the grants supervisor for the 21st Century grant. During this time period, Ms. Trahan was paid a total of \$34,606 for work performed as the grants supervisor. School Board policy states that any extra duties that make demands on employees' time shall be rewarded with extra compensation contingent on School Board approval. According to the School Board minutes, Ms. Trahan did not have School Board approval to receive extra compensation. Ms. Trahan was never appointed to the grants supervisor position nor did she sign a contract for the position.

Ms. Trahan stated that she reviewed lesson plans, reviewed the site coordinator responsibilities, approved and denied paperwork, and reviewed payroll as the grants supervisor for the 21st Century grant. She stated that she conducted this work outside of her regularly scheduled work hours. Time sheets submitted by Ms. Trahan did not include any description of work performed and at times included hours from several different months. For example, her first time sheet submitted in September 2003 included 246 hours from June 2003 through September 2003. During her service as grants supervisor, Ms. Trahan was paid between \$26.76 and \$28.53 per hour. However, Ms. Trahan's salary as a grants writer during this period ranged from \$18.13 to \$19.02 per hour.

Although documentation indicated that Ms. Trahan began working as the grants supervisor in June 2003, grant documentation indicates that the position of grants supervisor was not originally included in the budget submitted to the Louisiana Department of Education (LDOE). Because grant documentation was reportedly stolen from Ms. Trahan's office in March 2007, we could not determine when the position was added to the grant's budget. However, in correspondence to the LDOE dated August 20, 2003, over two months after she had begun working, Ms. Trahan indicated that the grants supervisor was added because of the importance of the grant. Her letter further explained that the position's duties included providing ongoing reports to Dr. Easton and confirming that grant money was being expended appropriately. The School Board could not provide any documentation of Ms. Trahan's reports to Dr. Easton.

We recommend that the School Board:

- (1) ensure that employees comply with its policies concerning extra duty assignments;
- (2) require proof of its approval before extra payments are made to employees;
- (3) ensure that time sheets are received for the current pay period only; and
- (4) ensure that time sheets adequately describe the work completed.

The Lafayette Parish School Board was created by Louisiana Revised Statute (R.S.) 17:51 to provide public education for the children within Lafayette Parish. The Board is authorized by R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the state of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The Board is comprised of nine members who are elected for terms of four years. The School Board operates 43 schools within the parish.

The legislative auditor received a request from the School Board to examine certain allegations concerning federal monies received by the School Board.

The procedures performed during this compliance audit consisted of:

- (1) interviewing employees and officials of the School Board;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the School Board;
- (4) examining selected documents and records of other governmental agencies;
- (5) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and
- (6) reviewing applicable state and federal laws.

This page is intentionally blank.

Management's Responses



LAFAYETTE PARISH SCHOOL SYSTEM

Burnell Lemoine
Superintendent

113 Chaplin Drive, Lafayette LA 70508
P. O. Drawer 2158, Lafayette LA 70502-2158
Phone: (337) 521-7014 Fax: (337) 233-0977

November 2, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Subject: Response to Compliance Audit Findings and
Related Cover Letter Dated October 19, 2007

Please find enclosed our responses to the above-referenced compliance audit. We are very appreciative of the diligent work performed during the audit and feel confident that our recently adopted purchasing/contract policy and guidelines and procedures referenced in our audit responses will address all findings in a prospective manner.

We look forward to your comments upon completion of your review of our responses and ask that you contact Billy D. Guidry, CFO, at (337) 521-7302 should you have any questions during your review process.

Sincerely,

A handwritten signature in black ink, appearing to read "Burnell Lemoine", with a long horizontal flourish extending to the right.

Burnell Lemoine
Superintendent

jbs



LAFAYETTE PARISH SCHOOL SYSTEM

Burnell Lemoine
Superintendent

113 Chaplin Drive, Lafayette LA 70508
P. O. Drawer 2158, Lafayette LA 70502-2158
Phone: (337) 521-7014 Fax: (337) 233-0977

Responses to Compliance Audit Findings of the Office of Legislative Auditor

Finding:

Lack of School Board Approval for Contracts

Recommendation

- (1) Develop a policy to ensure that all contract and contract amendments receive Board approval prior to the obligation of Board funds.
- (2) Determine whether or not these contracts are appropriate and whether to seek recovery should they deem the contract inappropriate.

Response:

The Lafayette Parish School Board (LPSB) revised its purchasing policy to incorporate provisions for signing of contracts. Exhibit A includes this revised policy and an excerpt from the LPSB's minutes for its August 15, 2007 meeting. With regards to EduShift contracts signed prior to the August 15, 2007 date, we have met with EduShift and have requested the supporting documentation that will be needed in determining the payments that are due to EduShift. With regards to future EduShift contracts, we have asked our legal counsel to review the existing contract form and make recommendations for revisions that will address the following:

- (1) Clarification and specificity of services to be provided.
- (2) Documentation that is to be prepared and attached to EduShift invoices.
- (3) Removal of "prepayment" provisions and provide for payment once services are rendered.
- (4) Provision that the contract is to be interpreted according to Louisiana law.

Finding:

Invalid Contract Terms

Recommendation:

- (1) Ensure that all service contracts contain thorough descriptions of services to be performed.
- (2) Develop either a standard contract for services or ensure that all contracts are reviewed prior to signature.
- (3) Ensure that all reviewed contracts either contain the recommended changes or fully document why the recommended changes were not included.
- (4) Discontinue paying contractors in advance of services performed.
- (5) Ensure that all contract terms are in accordance with state law.

Response:

The Lafayette Parish School Board (LPSB) revised its purchasing policy to incorporate provisions for signing of contracts. Exhibit A includes this revised policy and an excerpt from the LPSB's minutes for its August 15, 2007 meeting. Authorized signers will ensure that (1) services to be provided are clearly stated (2) there are no prepayment requirements contained within the contract and (3) contract is to be interpreted under Louisiana law. Contracts will be forwarded for review and approval by legal counsel prior to signatures being obtained.

Finding:

Excessive Payments

Recommendation:

- (1) Analyze payments made to contractors to ensure that payment amounts are commensurate with services provided.
- (2) Ensure that service contractors provide adequate documentation of the work performed for LPSS.

Response:

The Lafayette Parish School Board (LPSB) revised its purchasing policy to incorporate provisions for signing of contracts. Exhibit A includes this revised policy and an excerpt from the LPSB's minutes for its August 15, 2007. We feel that the contract approval provisions set forth in the purchasing policy will help to eliminate those isolated incidences in which the superintendent or other authority figure can override existing internal control procedures and accounting guidelines. We feel that our existing internal control procedures and accounting guidelines, as supported by the above-referenced signature requirements, will provide a strong framework within which payments will be made commensurate to services provided.

Finding:

Additional Compensation

Recommendation:

- (1) Ensure that employees comply with School Board policies concerning extra duty assignments.
- (2) Require proof of School Board approval before extra payments are made to employees.
- (3) Ensure that timesheets are received for the current pay period only.
- (4) Ensure that timesheets adequately describe the work completed.

Response:

We have re-emphasized to the payroll department personnel that all payments to employees must adhere to our board approved salary schedule or be supported by a separately approved board action. In addition, re-emphasized the importance of reviewing all timesheets to ensure that they have been approved for payment by the appropriate supervisors. With regards to grants, we are in the process of setting up a system and related policies that will require that all grants be approved by the board before implementation. Target date for full implementation is December 2007.

File: DJE

PURCHASING

To assure that all state laws and regulations are followed, to maintain budgetary cost/quality control, and accurate accounting, all purchasing of services, equipment, and materials to be paid for by School Board funds shall be centralized for the district in the central purchasing office.

Board approved funds shall constitute Board authorization for Purchasing to proceed with the acquisition process in accordance with State law and/or Board policies (see DJED).

In addition to the above requirements, purchases which exceed the following dollar limitation will require pre-approval by the Board.

Professional Services (excluding maintenance contracts) in excess of \$15,000.00.

Capital Improvements and Capital Leases in excess of \$25,000.00.

The dollar limitation above shall not preclude those purchases that are declared by the Superintendent and Board President or designee as being of great urgency. These purchases shall be presented to the Board as an information item at the next scheduled board meeting following the purchase.

The Board authorizes the Superintendent or designee to sign all contracts that relate to purchases that fall below the dollar limitation listed above. Any contracts relating to purchases that exceed the above dollar limitation shall require the signature of the Superintendent or designee and Board President or designee.

Bid award recommendation shall be presented to the Board unless the Board grants permission for staff to evaluate, award and notify Board at a later date.

Current practice codified 1975

Adopted: date of manual adoption

Revised: 3/15/95

Revised: 8/15/07

NOTE: Purchasing policies related to food services are coded File: EED* - Food Purchasing and those related to individual school and organization funds are coded File: DK – School Activities (and School) Funds Management.

Lafayette Parish Public Schools, Louisiana

Excerpt of the Lafayette Parish School Board minutes of the August 15, 2007 meeting

That the Board grant permission to Advertise and Fill the Position of Principal II at Lafayette Charter High School.

Hardy requested that this item be pulled for discussion.

- C. EMPLOYMENT CONTRACTS FOR PRINCIPALS
That the Board approve Employment Contracts for Principals.

Trahan requested that this item be pulled for discussion.

- D. EMPLOYMENT CONTRACTS FOR ASSISTANT PRINCIPALS
That the Board approve Employment Contracts for Assistant Principals.

Trahan requested that this item be pulled for discussion.

- E. EMPLOYMENT CONTRACTS FOR CENTRAL OFFICE INSTRUCTIONAL ADMINISTRATORS
That the Board approve Employment Contracts for Central Office Instructional Administrators.

Trahan requested that this item be pulled for discussion.

- F. EMPLOYMENT CONTRACTS FOR OPERATIONS ADMINISTRATORS
That the Board approve Employment Contracts for Operations Administrators.

Trahan requested that this item be pulled for discussion.

- G. REVISIONS TO POLICY FILE: DJE - PURCHASING
That the Board approve the revisions to Policy File: DJE - Purchasing.

- H. NEW POLICY FILE: DQ - NON-BUSINESS USE OF BOARD-OWNED VEHICLES
That the Board approve New Policy File: DQ - Non-Business Use of Board-Owned Vehicles.

Staff requested that this item be pulled for discussion.

- I. GROUP HEALTH PLAN DESIGNS FOR 2008
That the Board approve Group Health Plan Designs for 2008.

Hefner requested that this item be pulled for discussion.

- J. RESOLUTION 08-07-1565 - ADOPTION OF MILLAGE RATES FOR 2007
That the Board adopt Resolution 08-07-1565 - Adoption of Millage Rates for 2007.

LaCombe requested that this item be pulled for discussion.

- K. REVISIONS TO POLICY FILE: DFA-E: MILLAGE RATES

4

I hereby certify that this is a true copy.

Signed: 

Date: 11/2/07

**Burnell Lemoine, Superintendent
Lafayette Parish School System**

DR. JAMES H. EASTON
102 RUE COLOMBE
CARENCRO, LOUISIANA 70525

October 31, 2007

Ms. Jodie Carter
Senior Compliance Auditor
Compliance Audit Division
Office of the Legislative Auditors
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Compliance Audit Report of Lafayette Parish School Board
By Legislative Auditor

Dear Ms. Carter:

I received your Confidential Draft Report regarding the above, and inviting my response thereto or comment thereon. I take this opportunity to do so.

You indicated in part of the audit that it appears "Dr. Easton may have signed these contracts without School Board approval and in violation of Louisiana Law." Obviously, the authority cited in your letter indicates that only the Board can approve contracts. If the Board did not approve contracts, then any contract with the Board does not violate the law, it is not a contract at all. I therefore take issue with your observing otherwise when the clear authority in your letter indicates that your statement is incorrect. Further, every contract that I signed on behalf of the Lafayette Parish School System had Board approval for me to do so. I cannot tell you that there is something specific in writing for each of them, for the Board sees and authorizes the Superintendent to sign many contracts during the course of a year. If those records do not exist, and I certainly thought they did, I assure you that Board approval was given for each contract authorized. The fact that the Board knowledgeably paid for the services provided by the contract should certainly tell you that the Board approved the contracts.

Your comment regarding the statements made by James Simon, Lafayette Parish School Board Attorney, concerns me greatly. The comments attributable to Mr. Simon also concern me greatly. Mr. Simon is well aware that while from time to time I did consult without outside counsel, I relied upon his advice as School Board Attorney, and the lack of his appropriate and accurate recollection of the discussions that we had concerning approval of contracts indicates one of the major problems that I always had with School Board representation through Mr. Simon and the District Attorney's office.

Ms. Jodie Carter
October 31, 2007
Page 2

The problem was the fact that Mr. Simon was rarely available, he housed himself in our facility only one day per week on the average, was not particularly knowledgeable about legal matters, and frequently was unable to provide me, as the Superintendent, or the Board with appropriate answers to legal problems. It thus left me as Superintendent, without appropriate available legal assistance or advice on numerous topics. I did the very best I could under the circumstances and I can assure that at no time did I violate what I believe to be appropriate legal principles or statements by Mr. Simon.

In connection with what you terms as "questionable contracts", I do agree that early on, the Edushift contracts sent to us were, on our review, difficult to understand in some places, seemed to be without substantial enough detail, and while we were confident that from the experience with the company and its reputation, the details of the contract could be worked out and the services appropriately provided, we did not partake of those services until we did work out or thought we had worked out the contract details in appropriate form. In fact, we sought advice from Mr. Simon as well as advice from outside counsel, Mr. Lane Roy. Based upon that advice, my understanding is that the contracts were appropriately changed before we went forward with the provision of services. Mr. Roy's suggestions as to the changes were, to my knowledge, instituted in-house after he made the recommendation. I am not aware of whether he ever saw the final document, but we did make changes based upon his advice.

In connection with your statement that the last five contracts required the Lafayette Parish School System to pay for a service that is free that is provided by the U. S. Department of Education, I take issue with that and have to suggest to you that your understanding is in error. We used Edushift to provide a very specific and expert service and one that we know from past experience this company has substantial expertise in. We also know that relying upon the Department of Education to provide some of the services provided to us by Edushift is appropriate, but some is not. In fact, the Department of Education does not provide all of the services that Edushift provides, or that other companies such as Edushift provide all over the country. I suppose that one can argue that one can get one's tax advice from the Internal Revenue Service, but I know very few people who will rely upon that advice since the Internal Revenue Service has a specific task in mind, not necessarily in line with that of the taxpayer on all occasions. I thus believe that the services provided by Edushift was a valuable service, provided substantial benefit for the educational system here in Lafayette, and, as you may well know, since our endeavor to audit our system began, has resulted in a very substantial grant from the Department of Education for the United States to the Lafayette Parish School System, totaling over nine million dollars.

Ms. Jodie Carter
October 31, 2007
Page 3

You further indicate that there was inadequate documentation of services performed. I will tell you that the personnel we employ in the education department, and specifically those in charge of the grants proposals, are dedicated professionals and are extremely adept in their jobs. They are detailed oriented, they understand what it takes to provide outstanding grants writing, and know what services need to be performed and are performed and know the quality of the services. Those personnel had every day hands on observation of the services performed by Edushift, and always demanded that Edushift provide those services in the best fashion. Edushift did so, the personnel at the School System made certain that they did so, and the document of the grant itself, over two hundred pages long, is in fact evidence of exactly what was done. I am not certain that you had that grant proposal, particularly the last one which resulted in nine million dollars plus in grants to the System.

Regarding the section of your report regarding "Payment Terms in Violation of the Louisiana Constitution", I am unaware of any payment made in an untimely fashion or prior to the time that the services performed were performed. Some of the payments may very well have been made very close to the end of my tenure in Lafayette, and at a time that there seemed to be very substantial sentiment by the Board to get rid of me as Superintendent of Lafayette Parish. Further, for the six months or so before my leaving, and since we had a newly constituted board in January of 2007, there were actions taking place in the Lafayette Parish School System that I believe were taken not necessarily in the best interest of the System but in a manner to try and make the Superintendent look bad for the purpose of either terminating the Superintendent, me, or alternatively, having him resign. I will tell you that as Superintendent, I paid for services only that I know were rendered, and in a timely fashion. I certainly had no intention of violating any law or the State Constitution, and in fact I do not think I ever did. Noteworthy to me is the fact that the observation made in your audit were never made by our annual audit conducted by a highly respected public auditing firm here in Lafayette. Further, our financial officer and accounting department were charged with determining which bills were due and should be paid and so advising me.

Your section involving "Invalid Contract Terms", indicates to me that the provision of the contract that it was suggested be changed, that is the State Law of Indiana governing the contract, was not changed even though I required that it be changed or directed it be so. If that be the case, it certainly was an error. Clearly though, as you point out, that portion of the contract will be interpreted under Louisiana law, because our law so provides.

Commenting on your section regarding "Excessive Payments", frankly, I am confused by this section. If you mean to say that we have paid more than what was budgeted, I do not agree with that. If you say that we paid more than was estimated, I

Ms. Jodie Carter
October 31, 2007
Page 4

am not certain what estimate it is that you are talking about. We paid for what was actually delivered to us, and only what was delivered to us. We paid according to the contract that we had.

Finally, regarding "Additional Compensation", I am not certain where you got the information that Mrs. Trahan was not granted authority by the Board to receive additional compensation. The work that she did was specifically budgeted before she was paid, and she performed the work. She was already an employee. I take it that the authority that was given was to give the money to whoever was performing the service under the terms indicated, and that was Amy Trahan. I know that you know that Mrs. Trahan fell out of favor with the Board, much like I did, and that Mrs. Trahan had to file an injunction proceeding against the Board in order to prevent the Board from terminating her services in violation of her clear contract.

I trust that my comments to you will be attached to the audit, and I trust that the persons who receive the audit, the public, will understand that I did my best for the System while I was Superintendent and did nothing intentionally wrong. I again say that the outside professional audits that we have performed of the System every year never brought up any of these matters.

With kind regards, I remain.

Very truly yours,



James H. Easton, Ed.D.



MEMO

To: Jodie Carter, Senior Compliance Auditor

From: EduShift, Inc.

RE: Lafayette Parish School Board Legislative Audit Report

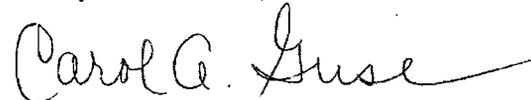
Date: 11/2/2007

Ms. Carter,

Please review the following response to the DRAFT Lafayette Parish School Board Audit Report concerning our (EduShift, Inc.) ongoing work with Lafayette Parish School System. We have organized our EduShift response to follow the original organization of the draft report you submitted to us for our review and comment. Our response consists of a series of statements that address specific assertions embedded in the EduShift, Inc. portion of the larger Legislative Audit report. Thank you for giving us the opportunity to comment on your report.

Sincerely,


Jeremy P. Burmeister, President


Carol A. Guse, Chief Executive Officer

Background

During EduShift's work with Lafayette Parish School System (LPSS), which began in 2003, our successful grant applications have resulted in the awarding of more than \$24 million in federal discretionary grant funds to Lafayette Parish School System for use in Lafayette schools. All grants were submitted only after LPSS administrators requested our services on a specific application. EduShift has never imposed a grant proposal on LPSS, but rather, we respond to the expressed needs of the district.

The audit report implies that Ms. Amy Trahan's service to the district was much shorter than is actually true. While she was not given the official title of Grants Administrator until 2006, she has served as EduShift's primary LPSS district contact for the duration of our relationship with Lafayette Parish School System. And, as primary grants contact,

Colorado, 1044 Milwaukee Street, Denver CO 80206, Ph: 303-355-0742, Fax: 303-355-2606
Indiana, 12525 Rockridge Place, Fort Wayne IN 46814, Ph: 260-672-0526, Fax: 260-672-1716



Ms. Trahan imposed a specific and oftentimes ineffective communications protocol that impacted EduShift's work with Lafayette Parish School System and its employees. EduShift complied with mandates that required us to communicate only with Ms. Trahan (the exception to our compliance with that directive occurred only when Ms. Trahan failed to communicate with EduShift on a timely basis, forcing us to circumvent Ms. Trahan in order to meet application and evaluation deadlines).

Compliance with the communications protocol resulted in a significant barrier to our work with the district and led to widespread frustration regarding the implementation of grants in the district. Ms. Trahan and Grants Office personnel consistently failed to inform EduShift of evaluation, technical assistance and reporting issues in a timely manner and prevented EduShift from developing and sustaining close working relationships with project directors overseeing the individual grant programs. EduShift requested weekly Grants conference calls and monthly project director conference calls but Ms. Trahan failed to follow through on a large number of scheduled appointments and completely isolated district personnel from EduShift, which resulted in a tense working environment and misunderstanding regarding the role EduShift played and should play in grant programming. Further, multiple attempts to conduct site visits were unsuccessful because the Grants Office would not cooperate with scheduling and would not allow EduShift to set an agenda that led to meaningful interaction with district grant managers / project directors. From our perspective, an unreasonable and limiting communications process created barriers that impeded successful grant implementation and hindered EduShift's ability to work with key district personnel.

Lack of School Board Approval for Contracts

While the audit raises multiple concerns regarding the approval of both grant applications and EduShift contracts, the Lafayette School Board grants / contracts approval protocol, process and compliance with that process is entirely out of EduShift's control and influence. In fact, it has always been EduShift's position that school board approval of grants and contracts benefits all parties because then all decision makers are fully informed of important funding opportunities.

The audit report compares the compensation amounts for EduShift, Inc. and David Jones and Associates, the two grants consulting firms that have completed work for LPSS. While EduShift compensation is higher, it is clear from the audit report that the scope of work that EduShift is responsible for exceeds the scope of work that David Jones and Associates was contracted to complete (David Jones was contracted to provide a grant proposal and technical services, not contracted to complete evaluation and reporting services while EduShift was contracted to complete evaluation, reporting, technical services and transmission of grants technology). Because EduShift was and continues to be responsible for an expanded scope of work, it is logical and reasonable that EduShift's



contracts would be for a larger percentage of grant funds to compensate for additional duties.

The audit report suggests that Dr. James Easton, as an agent of the Lafayette Parish School Board, signed five EduShift contracts during the timeframe of January 2006 to July 2006. While the dates of contract signatures do fall within this time period, this concentration of approvals does not reflect the fact that many of the aforementioned contracts languished in LPSS administrator hands for more than one full year (18 months for the Mentoring grant) before contracts were finally signed and witnessed. During that time, EduShift performed all duties embedded in the contract without compensation and without the promise of compensation because pending contracts were not officially approved. EduShift conducted necessary evaluation, reporting and technical services activities in good faith that LPSS administrators would approve grant contracts. In short, the date of contract signatures in no way reflects the length time EduShift awaited district action to approve pending contracts.

Questionable Contracts

The audit report raises multiple issues regarding the validity of EduShift contracts. To our knowledge, all EduShift contracts were reviewed and deemed reasonable by Lafayette Parish School Board attorneys and / or LPSS attorneys under retainer by the district. Furthermore, the contract review process implemented by the district is outside of our influence and EduShift in no way impacts the contract approval protocol employed by Lafayette Parish School System.

Vague Language with Lack of Description of Services

The audit report indicates that EduShift contracts use vague language and do not adequately describe the deliverables to be provided by EduShift. We fully disagree with the audit report's statement that EduShift contracts do not describe EduShift duties and responsibilities. All signed contracts with LPSS specifically obligate EduShift to complete evaluation services, reporting and technical assistance – three very concrete services that require EduShift to complete numerous tasks. The nature of technical assistance, a component of our contractual obligations to LPSS, is that it cannot be fully described because technical assistance needs vary by grant program. We field ongoing requests for assistance from each of the grants we work on in the district and to define in contractual terms what qualifies as technical assistance would limit the breadth of our service to the district. We deliberately do not define in detail our services so as not to impose limitations on requests from grant managers, project directors and LPSS administrators.

Furthermore, the language in the five 2006 contracts signed by Dr. James Easton and witnessed by Ms. Amy Trahan and other LPSS staff were signed only after EduShift

Colorado, 1044 Milwaukee Street, Denver CO 80206, Ph: 303-355-0742, Fax: 303-355-2606
Indiana, 12525 Rockridge Place, Fort Wayne IN 46814, Ph: 260-672-0526, Fax: 260-672-1716



personnel allowed the district to conduct an extensive review and revision of EduShift contract language. We approved this process against our better judgment and during the nearly year-long period of waiting and revisions, EduShift continued, uninterrupted, to fulfill in good faith all contractual duties without the protection of a signed contract for work with the district, without any compensation whatsoever and without any legitimate and good-faith effort on the part of the district to expedite the contract revision and approval process. EduShift continued to work and fulfill all responsibilities to the district with zero compensation and without a contract that confirmed district intent to compensate for completed work. Our question to the auditors, and it was posed to the auditors during a May 2007 meeting, is: How many people and / or firms would continue to work on behalf of a client or employer without compensation for more than one full year? EduShift did just that during the contract approval delay.

Inadequate Documentation of Services Performed

EduShift, Inc. provided evidence of deliverables to both the internal auditors servicing the district prior to the request for a legislative audit and to legislative auditors. Following the mandated communication protocol that required EduShift personnel to contact and work solely through the Grants Office, all materials were transmitted to Ms. Amy Trahan, who in turn was responsible for providing materials to auditors. After speaking with the district's financial auditors, we believe that Ms. Trahan failed to share all documents provided to comply with audit requests. Not until EduShift made multiple requests for a face-to-face meeting with the legislative auditors were we granted the option to send materials directly to Ms. Carter and her associates. EduShift provided requested documentation of site visits and copies of all submitted reports. It was and continues to be EduShift's assertion that, as a private corporation (not the subject of the audit), our internal time management procedures are outside the scope of an audit of a different entity.

Payment of Terms in Violation of the Louisiana Constitution

It is the district's sole responsibility to ensure that it adheres to all regulations when fulfilling contract payment terms. All contract terms were reviewed by an accredited Louisiana attorney retained by Lafayette Parish School System; EduShift's personnel were never made aware of potential legal issues pertaining to terms of payment. Further, contractual terms were never fully met by Lafayette Parish School System. The district, without exception, failed to pay EduShift within the prescribed timeframe delineated in EduShift contracts and invoices. Despite waiting in excess of one full calendar year to receive compensation under multiple contracts, EduShift never once charged the district a late fee, even though statements on EduShift's invoices suggest that late fees are applicable. EduShift invoiced only contracted amounts and payments received never exceeded mutually accepted terms.

Colorado, 1044 Milwaukee Street, Denver CO 80206, Ph: 303-355-0742, Fax: 303-355-2606
Indiana, 12525 Rockridge Place, Fort Wayne IN 46814, Ph: 260-672-0526, Fax: 260-672-1716



Excessive Payments

We disagree with the audit claim that payment to EduShift was excessive. The funding agencies responsible for determining the propriety of grant expenditures reviewed all proposed budgets as a component of the grant competition and awarded funds only after deeming budget expenditures were both necessary and reasonable to implement a successful grant program. If the funding agency is comfortable awarding an amount to conduct a service then it is rational to assume the funding agency feels the funds budgeted for services are necessary and reasonable.